



POST OFFICE

REPORT OF THE ADVISORY
COMMITTEE ON THE INLAND
TELEGRAPH SERVICE, 1958



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ADVISORY COMMITTEE ON THE INLAND TELEGRAPH
SERVICE, 1958

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TERMS OF REFERENCE

“To advise the Postmaster General on the future place of the inland public telegraph service as part of the communication facilities of the United Kingdom.”

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REPORT

The Right Hon. ERNEST MARPLES, M.P., Her Majesty's Postmaster General.

I. INTRODUCTORY

1. You announced on 5th December, 1957, the setting up of the Committee with the following terms of reference:—

"To advise the Postmaster General on the future place of the inland public telegraph service as part of the communication facilities of the United Kingdom."

2. We have understood these terms of reference to mean that on the one hand the overseas telegraph service and on the other the private telegraph service (including both the telex service and the provision of private telegraph circuits for individuals or organisations) should be excluded from our field of investigation. However, in so far as the overseas telegraph service makes use of the facilities of the inland public service for accepting, transmitting and delivering telegrams we have not been able entirely to exclude consideration of it.

3. We have held eight meetings and have obtained our main evidence on the working of the telegraph service, orally and in writing, from officials of the Post Office. So far as public attitudes to the inland telegraph service are concerned, we have been assisted by a report made to you in 1957 by the Social Survey Unit of the Central Office of Information entitled "A Consumer Survey of the Telegraph Service" (SS. 250. 1957). We have also considered the recommendations of a number of recent Post Office investigations into the inland telegraph service and of the following outside examinations of the service:—

The Hardman-Lever Committee, 1927. (Cmd. 3058.)

The Bridgeman Committee on the Post Office, 1932 (in so far as it covered the telegraph service). (Cmd. 4149.)

The Eleventh Report of the Select Committee on Estimates, 1952-53.

II. THE TELEGRAPH PROBLEM

4. The essence of the problem of the inland public telegraph service is that it has for many years run at a deficit of the same order as its income and that traffic is rapidly declining.

5. This problem is illustrated by the following statistics:—

	Income	Expenditure	Deficit	Number of Telegrams	Loss per Telegram
	£m.	£m.	£m.	(millions)	d.
1947-48	4.0	7.2	3.2	53.3	14.2
1948-49	3.8	8.1	4.3	48.9	21.1
1949-50	3.6	8.2	4.6	47.4	23.1
1950-51	3.6	8.1	4.5	44.8	24.5
1951-52	4.1	8.5	4.4	41.6	25.3
1952-53	4.2	9.1	4.9	39.2	30.2
1953-54	4.0	8.8	4.8	36.8	31.0
1954-55	4.5	8.5	4.0	28.1	33.8
1955-56	4.4	7.4	3.0	22.8	30.3
1956-57	3.7	6.8	3.1	18.7	40.3
1957-58 (estimated)	3.4	6.8	3.4	16.9	48.2

and will reap the benefit of cheaper short-duration trunk calls. The telex service has trebled in the three years of its existence on the present basis and has now about 4,250 subscribers; in 20 years time this figure is expected to reach 20,000. The private wire networks already use more teleprinters than the public service and will continue to attract business users. We would therefore expect telegraph traffic to continue to decline.

Use made of the Service

11. Before the war about two-thirds of the total inland traffic was of a business nature, and one-third of a social nature; in recent years these proportions have tended to be reversed. The volume of business traffic is less than one-fifth of what it was before the war. According to the sample taken by the Social Survey Report (page 115) 55 per cent of business establishments never send a telegram, about 41 per cent use the service for exceptional or emergency purposes and only 4 per cent use it regularly. (This 4 per cent. of firms, however, is responsible for about one-third of the business telegrams sent, the commonest reason for such telegrams being stated as "the giving of information on sales, orders, deliveries or prices".) This decline in the importance of the business use of the public telegraph service is hardly surprising in view of the growth in the telephone, telex and private wire services which is described in para. 10. We think that the telegram can be regarded today as of only marginal importance to the business community and the position as regards social traffic is not dissimilar.

12. There are considerable sectors of traffic which could, apparently without serious inconvenience, be carried by the postal, telephone or telex services. For example, about 25 per cent of the total is either Greetings traffic or traffic of a Greetings nature; for more than half the business telegrams and for about one-fifth of social telegrams a telephone call would have been a possible alternative; and clearly in many cases the postal service or the postal express services could have been used, since already about 5 per cent of telegrams (those accepted after hours which are not of a life and death nature) are delivered by first post. Since so much telegraph traffic appears to be inessential or open to transmission by other means, we have considered whether it is justifiable to continue the present inland public service.

Reasons for retaining the service

13. There are two categories of traffic for which nationwide inland telegraph facilities appear to be essential;—

(a) *Overseas telegrams.* The Post Office handles about 15 million overseas telegrams a year, either accepting them from senders and transmitting them abroad or receiving them from overseas and delivering them in this country. In addition a further million messages of the foreign cable companies are handled by the Post Office over the inland network (although these companies handle the bulk of their own traffic). About 90 per cent of this overseas traffic is addressed to or originates in London and 14 other major cities; this is, or could be, disposed of directly by special arrangements within these cities. But the remaining 10 per cent of overseas traffic is wholly dependent for delivery on the inland system. It could not be disposed of in any other way—e.g. by postal delivery—without failing to meet our international obligations.

(b) *Life and Death telegrams.* Although these messages form only between 1 and 2 per cent of total telegraph traffic, they number over 200,000 a year. From their nature they cannot be delayed, as lives may

depend on them. (Telegrams conveying bad news but which are of a lesser urgency amount to about 300,000 a year.) Life and death messages originate at all times of the day or night. Although the skeleton night delivery arrangements of the telegraph service can deal with those only for the large cities, the transmission facilities are such that special delivery can usually be arranged for most of the remainder. This leaves only a very small proportion for which the assistance of the local police has to be obtained.

14. Quite apart from these two categories of traffic, for which the retention of the facilities of a nationwide telegraph service appear to be essential, there are more general reasons which make this retention seem to us to be desirable. These may be summarised as follows:—

- (a) In a country with a high standard of living, it would not be acceptable to be without a service of this nature. Even in countries where the telephone is more widespread, such as the United States or Sweden, there is such a service.
- (b) The service fills a small gap in communications facilities—a gap which, in the words of the Social Survey (page 88) “concerns no one very often, but many people very occasionally, and which, when it does concern them, matters much to them.”
- (c) Abolition of the service would impose hardship on the many people throughout the country who have no telephone, including those who have applied for telephone service but are unable to obtain it.
- (d) The telegram is popular as a means of sending congratulatory messages and good wishes.
- (e) The telegram is recognised and used, in preference to a letter or a telephone call, as a satisfactory medium for certain types of concise message. Among the reasons for this preference are its impersonal nature (e.g. for booking a room or cancelling a visit), and the fact that it provides a written record (e.g. for orders and quotations).

For these reasons we consider that the nationwide facilities offered by the inland public telegraph service will have to be retained, at least for a number of years to come.

IV. REDUCING THE DEFICIT

15. We have already given our view that the inland telegraph service must be retained as an essential, though shrinking element of the public services. It has been run at a loss ever since the service started; but the growth—and prospective growth—of the loss per telegram and of the overall deficit cannot, we think, be allowed to go on unchecked. In the current year it is estimated that the loss will equal the revenue from the service, and we think that a deficit of this order is too large. We have therefore considered a number of possible ways of reducing it. These seem to fall broadly into four categories; economies in running the service; an adjustment to the tariff; removing losses on services which are not part of the inland system but which are borne by it; and some stimulation of Greetings traffic.

Economies in Running the Service

16. We have confined our enquiries on this aspect of the problem to the steps being taken by the Post Office to adjust the organisation of the telegraph service to meet the rapid decline in traffic. On these we were given the following information:—

- (a) *Staffing.* Staff costs amount to just under three-quarters of telegraph costs. If account is taken of the overseas telegrams handled by the

inland service, staff and traffic have both fallen by 39 per cent since 1953. This achievement owes a great deal to the full co-operation of the Staff Associations in a situation which is very difficult for a section of their members. Further negotiations on working loads and on new methods are taking place with the Staff Associations.

- (b) *Equipment.* The telegraph automatic switching system has proved itself economically and there is at present no practical alternative to its continued use, but the system is under constant review. The original 22 switching centres have been reduced to 17 and will be further reduced to 13 by 1959. Since 1953 the number of teleprinters in use has been cut by about 20 per cent, the number of telegraph trunk circuits by about 53 per cent and the number of offices on the switching system by about 20 per cent.
- (c) *Overheads.* The apportionment of overhead expenses between the different Post Office services is regularly reviewed. This is usually done on a three yearly basis, but some major items are examined more frequently. Pension liability, for example, is adjusted annually and accommodation charges are reapportioned wherever the use of a building is substantially changed. Overhead costs have in recent years fallen by about 11 per cent per annum. There is likely to be very little saving in costs from combining the separate account for the telegraph service with the telephone account in the Commercial Accounts.

We are satisfied from this information that the Post Office is alive to the need to keep down telegraph costs as the system declines in size.

Changes in the Tariff

17. An increase in telegraph tariffs is inescapable if material reduction is to be made in the deficit. Telegraph tariffs have not risen since August, 1954, and have therefore lagged behind the general price rise that has occurred since then. We wish to say, before giving our views on tariff adjustments, that we recognise that the decision on the timing and amount of any changes would have to be based not only on economic and social considerations, but also on political judgements to be exercised by the Government of the day. We are therefore shaping our recommendations in such a way as to allow for flexibility in the amount and timing of any adjustments decided on. As regards timing we would, however, draw attention to recommendation 3.5 of the Social Survey report (page 87). This reads "... If any increase was at any time contemplated it would be important to bear in mind that it is not the new charge which will discourage traffic, but the fact that the charge has been raised. Thus, if the change can be made to coincide either with a change in the facilities or ... tariffs, the impact will be much reduced." We regard this as an important point, since the reduction in traffic already poses serious problems in keeping costs down and anything which can be done to mitigate the impetus given by a tariff increase to this decline is likely to avert a loss in revenue. We recommend that this point should be borne in mind in the timing of any tariff changes on the lines we examine below.

18. Telegraph tariffs contain two elements (a) a minimum charge and (b) a length charge. Telegram costs increase but little with the length of the message. Hitherto the minimum charge in telegraph tariffs has carried with it a "free allowance" of 12 words, plus a relatively high charge for subsequent words. We favour a change in this structure so that there is a basic charge for every inland telegram plus a relatively low charge for every word. This change in structure would seem to have a number of

positive advantages. It would give greater flexibility in future tariff changes, would encourage longer telegrams, would be more equitable to the sender, and would appear to be less drastic than a substantial increase in the present rates.

19. To illustrate our proposals, we may take the case in which the objective was to find the best way of increasing the revenue per average telegram by 1s. 0d. We would recommend doing this by fixing the basic charge at the level of the present minimum charge of 3s. 0d., but introducing a word charge of 1½d. applied to every word in the telegram. (The present charge is, of course, 3d. for each word in excess of 12). Such an increase would, we think, be preferable to the comparable alternative under the present tariff structure of a minimum charge of 4s. 0d. for 12 words, plus 4d. a word thereafter. If the required increase of revenue per telegram was 2s. 0d. we should recommend achieving this with a basic charge of 4s. 0d. plus 1½d. for every word. We estimate that such a change would be likely to produce as great a reduction in the deficit as would result, for example, from a minimum charge of 5s. 0d. for 12 words, plus 5d. a word thereafter.

20. The only other change in tariffs which we would recommend is to increase the fixed telegraph charge of 3s. 0d. on telegraph money orders. (The supplementary fee of 6d. on this type of traffic is, we understand, credited to the postal account together with the money order charge.) About 6 per cent of telegraph traffic consists of money orders, and the loss to the telegraph account on each was, in 1956-57, 4s. 4d. compared to 3s. 4d. on the ordinary inland telegram, owing to the high operational costs inherent in this type of message. We do not think that there are any special social or business considerations which justify the greater loss per telegram on this type of traffic. We therefore recommend that the charge for telegraph money orders, which is credited to the telegraph account, should be increased with the object of bringing the loss on this type of traffic into line with that on ordinary telegrams.

Removing Losses on incidental services

21. It will be noted from the second table in paragraph 5 that about £550,000 of the deficit of £3,150,000 in 1956-57 was contributed by losses on inland press traffic, railway pass telegrams, telegrams exchanged with the Irish Republic and telegrams handled for overseas Cable Companies on the inland network. We see no reason of principle why these categories of traffic should be handled below cost. In the case of Cable Companies traffic we understand that changes were made in the financial arrangements with the Companies in October, 1957, intended to secure that Post Office charges should cover costs. As regards the other categories of traffic we would make the following comments:—

- (a) *Press Traffic.* The Hardman-Lever Committee in 1927, the Bridgeman Committee in 1932 and the Select Committee on Estimates in 1953 all drew attention to the advisability of increasing inland press rates. There have been increases in press rates, the last being when the ordinary inland tariff was doubled in 1954, but the service still runs at a heavy loss. Post Office representatives pointed out to us that ever since 1868 the press had had preferential rates, that the volume of traffic affected was falling (between 1952 and 1957 it fell by 30 per cent) so that the deficit was lower than it had ever been; that the great bulk of press traffic was carried by private wires to which standard rates yielding an adequate return applied; and that most countries gave preferential rates to the press on their inland telegraph systems. On this last point, however, it appears that whereas

the British press tariff is 20 per cent by day and 15 per cent by night of the normal inland rate, in many other countries the press pays a higher proportion of the normal rate. For example, in Switzerland the press pays 80 per cent of the normal rate, in Western Germany 66½ per cent to 100 per cent (according to the distance), in Belgium, Denmark, Finland and New Zealand 50 per cent and in the United States 36 per cent to 54 per cent by day (according to the distance) and 18 per cent to 27 per cent by night; on the other hand, in France the press pays the exceptionally low rate of 4 per cent of the public tariff. We consider that there is a case for raising the inland rates charged to the press sufficiently to remove or substantially reduce the loss on handling this traffic, while still retaining an element of preferential treatment comparable to that allowed by other important countries to their press; 50 per cent of the public tariff might be an appropriate level, since this is the internationally recommended concession for intra-European press traffic.

- (b) *Railway Pass Telegrams.* The Telegraph Act of 1868 vested in the Postmaster General the monopoly of transmitting telegrams within the United Kingdom and prescribed the terms of compensation to the railway companies for his acquisition of their telegraph interests; these included an obligation to send free of charge on the public telegraph system in the United Kingdom all telegrams related in any way to railway business. The Postmaster General received certain reciprocal benefits in return—e.g. the right to put up poles on railway property—but these are today of very limited value. On the other hand, the cost of the traffic handled free for the Railways in 1956-57 amounted to £220,000, which went to swell the inland telegraph deficit; and we understand that the Post Office pays increasing sums of money annually to the Railways for the conveyance of its mails. We were told that legislation might be needed to extinguish this concession, but we consider that the possibility of doing this should be explored. We think the existing arrangement is undesirable, since an incentive to economical working is removed, if one nationalised industry carries part of the costs of another in its accounts.
- (c) *Telegrams to the Irish Republic.* At present there is a surcharge of 6d. on telegrams from the United Kingdom to the Irish Republic, but these telegrams contributed in 1956-57 £93,000 to the deficit on the inland telegraph service. The position of Northern Ireland prevents a simple transfer of this traffic from the inland to the overseas telegraph service. On the telephone side, however, we understand that there is a surcharge on calls from Great Britain to the Irish Republic of up to 100 per cent above inland rates, and that this surcharge does not apply on calls from Northern Ireland to the Irish Republic. In so far as this is still necessary if inland tariffs are increased, a change in the telegraph tariff on these lines should be considered, with the object of preventing the loss on Irish traffic from falling on the inland telegraph service.

Stimulation of Greetings Traffic

22. Greetings telegrams, at a supplementary charge of 6d., amount to about 17 per cent of total traffic; in addition about 3 per cent of total traffic consists of wedding telegrams on special forms, for which a supplementary charge of 2s. 0d. is made. Some increase in Greetings traffic would be beneficial, as a means of helping to offset the rapid decline in the level of traffic which creates uneconomic staffing. It would be preferable if such an increase were of a type to which the 2s. 0d. surcharge would apply.

The special weddings telegram has undoubtedly resulted in a reduction in the aggregate loss. Since it was introduced, weddings traffic has increased by about 10 per cent compared with the 10 per cent decline in Greetings traffic generally. Weddings traffic tends to cost less than the national average, and much of it, if not sent on the special forms, would be carried at the lower rate. We therefore recommend that the Post Office should seek to develop special types of Greetings telegram for which the surcharge of 2s. 0d. could be made; one such possibility which has been suggested to us is a special Greetings telegram for sending congratulations on the birth of a child. We recognise, however, that even if such a policy were successful the effect on the deficit would be marginal.

V. THE FUTURE OF THE SERVICE

23. The Bridgeman Committee of 1932 recommended that Post Office policy "should be focused in the direction of the complete amalgamation of the telegraph with the telephone service." We have discussed with Post Office representatives the extent to which this recommendation has been adopted, and whether it should still be regarded as the basis of future policy for the telegraph service.

24. We understand that considerable progress has been made in both technical and administrative integration of the two services. For many years now there has been a single trunk network to meet the circuit needs of both telephones and telegraphs, and only the terminal equipment has to differ. Control of both services has been integrated in the Regional organisation and at Post Office Headquarters. Further, there has been a marked extension of the use of the telephone in handling telegraph traffic; over 50 per cent of telegrams are now accepted—and about 20 per cent delivered—by telephone. "Complete amalgamation" however could mean the employment of a single staff for both telephone and telegraph work, or the use of the telephone system for handling all telegrams. It is stated that the first of these possibilities would defeat its own purpose because of the cost of training staff for both types of skill. As regards the second, the telephone, at least for the longer distances, is a less satisfactory medium for transmitting a telegram than the teleprinter; it is much slower (if account is taken of the writing down at the receiving end), it involves greater risk of error and it is less economical in line plant (since by current techniques 18 teleprinter circuits can be derived from a single telephone circuit). We therefore consider that, subject to keeping under review the extended use of the telephone for sending telegrams over the shorter distances, further action at present towards integrating telegraphs with telephones would not be justified.

25. As regards the more distant future, we think that there may prove to be scope for further integration with the telephone service, or possibly with the telex service. We are informed that during the next ten to fifteen years it is to be expected that subscriber trunk dialling will become general. This development may facilitate extending direct telephonic transmission between telegraph offices. It may even make it desirable to allow subscribers to telephone their messages direct to the distant delivery offices; this would reduce the telegraph service to a local reception and delivery service, for which a fee would be charged, since for the transmission of the message the subscriber would presumably be charged the normal trunk fee. Absorption of its teleprinter automatic switching system into the telex service may however be a more appropriate future for the public telegraph service. At

present the telex service is manually switched, but it is due to be converted to automatic switching in 1961. It will not at that time be able to absorb the still sizeable switching system which carries public traffic ; and to expand it at that stage in order to enable it to absorb the public system would be uneconomic, as alternative uses for the public equipment thus released would be very difficult to find. But if telex continues to grow rapidly and public traffic to decline, the economics of the situation might change. We therefore recommend that the Post Office should keep a careful watch on the scope for further integration of the public telegraph service with the telephone service, or with the telex service, while not overlooking the possibility of other technical developments.

VI. CONCLUSIONS AND RECOMMENDATIONS

26. Our conclusions may be summarised as follows:—

- (a) The essence of the problem of the inland public telegraph service is the continuing deficit and the rapid decline in traffic (paras. 4-7).
- (b) The main reason for this is that the service fills a relatively small gap in the communications facilities of the United Kingdom and the size of this gap is being reduced by competition from other Post Office communications services (para. 8).
- (c) Foreign administrations face a similar problem (para. 9).
- (d) We would expect traffic to continue to decline (para. 10).
- (e) The service is only of marginal importance to business establishments and is only occasionally used by members of the public for social purposes (para. 11). Much of the traffic could be carried by some other service and much is of an inessential nature (para. 12).
- (f) There has always been a deficit on the inland public service, but we think that it is at present too large (para. 15).
- (g) The Post Office is reducing costs as the service declines in size (para. 16).
- (h) The amalgamation of the telephone and telegraph services recommended by the Bridgeman Committee has probably been carried as far as is practicable at present (para. 24).

27. We therefore make the following recommendations:—

- (a) The service must be retained to handle a proportion of overseas and emergency telegrams (para. 13) ; there are also other reasons why its retention is desirable (para. 14).
- (b) The inland telegraph tariff should be increased ; the timing of the increase might with advantage coincide with either a change of facilities or with a change of tariff for other Post Office services (para. 17).
- (c) When a change is made, the structure of the inland tariff should be altered to one of a basic charge plus a charge for every word (paras. 18 and 19).
- (d) The charge for telegraph money orders should be increased (para. 20).

- (e) The Post Office should consider the elimination or reduction of the deficits made by Press Traffic, and telegrams to the Irish Republic; and should arrange to charge the British Transport Commission with the cost of Railway Pass telegrams (para. 21).
- (f) The Post Office should consider the stimulation of more special Greetings services at the higher rate (para. 22).
- (g) The Post Office should keep in mind the possibility of the further integration of the inland public telegraph service in the future with either the telephone or the telex service (para. 25).

28. We have received every courtesy from the Post Office in our enquiry and have been favourably impressed by the frankness of the witnesses and their willingness to help us. We also wish to express our appreciation of the assistance given to us by our Secretary.